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Government  
Publication

*Highlights*




1988  
*Ontario  
Budget*



ROBERT F. NIXON  
TREASURER  
OF ONTARIO





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## HIGHLIGHTS

### 1988 Ontario Budget



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## Enquiries

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*The 1988 Ontario Budget presents a plan of action to meet the requirements of today while investing in opportunities for Ontario's future. The Budget strengthens Ontario's competitive position through support for manufacturing investment and for research and development. It funds the Government's priorities for quality health care, excellence in education, more affordable housing and economic assistance for those in need. Planned net cash requirements are reduced to \$473 million, the lowest level in 19 years. The Budget ensures that we have the revenues to pay for today's services and for tomorrow's priority community needs.*

## **Economic Outlook**

Economic expansion in Ontario is expected to continue in 1988 with real growth forecast at 3.7 per cent. This growth will be more broadly based than in the recent past, benefitting all parts of the province. Spending on business plant and equipment should reach \$28 billion in 1988. This year employment is expected to increase at a record pace of 180,000 jobs. Inflation will moderate from 5.1 per cent in 1987 to 4.7 per cent this year.

## **Ontario's Priority Investments**

To ensure that economic growth continues, the Government is building in the public sector and investing in the private sector to keep Ontario competitive.

### **Manufacturing Investment Incentive**

The Budget introduces a new manufacturing investment program that will provide a deduction equal to an additional 15 per cent of the cost of new machinery and equipment. At maturity, this

\$120 million measure will support \$6 billion of investment in Ontario annually.

### **Technology Initiatives**

The Budget will stimulate industrial research and development.

A new \$45 million Research and Development Super Allowance will provide an extra 25 per cent deduction for large firms and 35 per cent for small businesses for spending on R&D in Ontario. For qualifying incremental R&D expenditures, the Super Allowance will increase this deduction by 50 per cent.

The Budget provides \$38 million for a five-year Technology Personnel Program to help small firms hire up to 1,000 new technical staff.

Over the next five years, the new Strategic Procurement Program will provide up to \$25 million to qualified firms to develop products that the Province and its agencies will need to purchase in the years to come.

### **Housing**

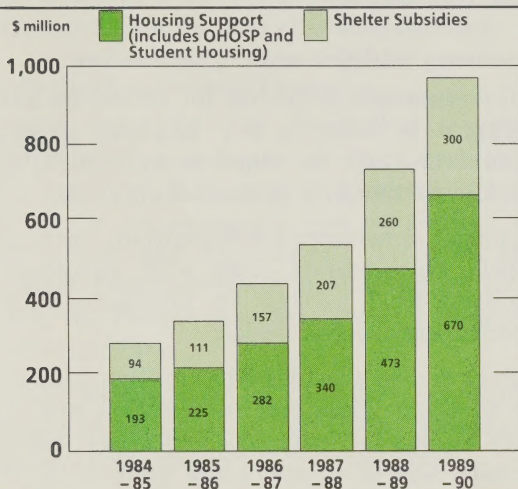
Ontario needs more affordable housing. The magnitude of the challenge to meet this need exceeds the capacity of any one level of government. This Budget commits substantial financial support to help meet affordable housing needs.

- \$2 billion in CPP funds will be made available to the non-profit housing sector in the form of lower cost financing. This will add an estimated 30,000 non-profit rental units to the existing stock through construction, purchase or lease. The Government will provide \$210 million annually in support of these units, up to 70 per cent of which will be available on a



rent-geared-to-income basis. In addition, \$100 million will be provided for renovations of leased units.

## Provincial Housing Support and Shelter Subsidies, 1984-85 to 1989-90



- An additional \$20 million annually is allocated to improve shelter subsidies for 32,000 social assistance recipients.
- The Housing Development Fund will channel revenues from land sales to fund affordable housing initiatives. It is anticipated that \$150 million in revenue will be generated over the next five years.
- Subsidies will be provided to construct 5,000 university residence spaces. Universities will also be able to apply for up to \$100 million from CPP funds to obtain lower cost capital financing for these units.
- The Ontario Home Ownership Savings Plan will provide an annual tax credit of up to \$1,000 per year for families, depending on

household income. It is offered to prospective home buyers on contributions of up to \$4,000 a year or as much as \$20,000 over a five-year period. Benefits are expected to reach \$50 million a year and to assist 150,000 families and individuals.

## **Elementary and Secondary Education**

The Government's priorities for education are to provide new schools for rapidly growing communities and to improve the quality of education, particularly in the early grades.

The Budget announces a \$900 million, three-year capital commitment that will support an estimated \$1.3 billion in elementary and secondary school construction.

The Budget also provides \$430 million over three years to reduce class size in grades 1 and 2, to provide additional textbooks and other learning materials, and to improve the availability and teaching of computer technology to students.

## **Post-Secondary Education**

The Budget provides \$38 million in grants to universities to honour the Government's commitment to accessibility. For 1989-90, this amount will more than double to \$88 million.

The Budget announces a \$440 million, four-year commitment, to address the urgent capital project needs of our post-secondary institutions. This commitment will include \$40 million to help universities acquire classroom space to meet pressures resulting from short-term enrolment increases.



## **Health Care**

The Ministry of Health will spend \$12.7 billion on health care this year, an increase of \$1.2 billion from 1987-88. This total is greater than the yield from Ontario's personal income taxes and represents \$1,350 for every Ontario resident.

## **Roads, Highways and Transit**

Capital funding for the Ministries of Transportation and Northern Development and Mines has been increased by \$100 million from 1987-88, for the expansion and rehabilitation of major roads and highways. To fund these essential improvements and support future growth, the Budget increases the tax on gasoline by 1 cent per litre.

The 1988-89 allocation for GO Transit contains an increase of \$33 million for improvements and expansion of rail service in selected areas.

## **Northern and Eastern Ontario**

The Northern Heritage Fund begins operation this year to help promote long-term economic growth and diversification of the North. The Government will provide \$30 million to the Fund annually over the next 12 years.

The Northern Relocation project has been accelerated. A total of 1,600 jobs with an annual payroll of \$48 million will be relocated to four northern communities. To provide office accommodation, \$200 million will be spent on the construction of new buildings over the next three years.

Eastern Ontario as a whole is benefitting from considerable growth in the service sector, a high level of construction activity and a growing interest in that part of Ontario as a location for

investment. This year, construction will likely start on a new state-of-the-art tire plant in Napanee.

## **Agriculture**

Provincial spending on agriculture will reach \$567 million, an increase of 86 per cent since 1984-85.

In 1988-89, a new \$15 million allocation will permit introduction of tripartite stabilization programs for a number of commodities currently covered by separate provincial and federal programs.

## **Province of Ontario Savings Office**

As a service to small investors, the Province of Ontario Savings Office (POSIO) will introduce a new Ontario Guaranteed Investment Certificate. As well, the Government will provide POSIO service in certain northern communities.

## **Other Priority Programs**

This year, \$300 million, or an additional 68 per cent, is being provided for child care programs, including direct operating grants to child care centres. Child care facilities will be provided in all new and expanded schools.

Spending on the environment has increased by 51 per cent since 1984-85. To reinforce the Government's commitment to environmental protection, a special levy of 3 cents per litre on leaded gasoline is introduced.

## **Ontario Tax Assistance Programs**

The Budget enriches and restructures tax assistance benefits to low-income Ontarians.

- New Property and Sales Tax Credit programs will deliver \$444 million in tax credit benefits to over 1.8 million low-income Ontarians.
- Sales tax credits are set at \$100 per adult and \$50 per child, more than doubling the total benefits under this program for low-income households.
- The new \$40 million Ontario tax reduction program will eliminate Provincial income tax for 350,000 low-income taxfilers.
- The OHIP premium assistance program will be enriched and, as a result, an additional 30,000 individuals will no longer pay premiums in 1989.

## Federal-Provincial Relations

Federal limitations on the growth of transfers for health and post-secondary education will cost Ontario almost \$1 billion in 1988-89. The Ontario Government has increased expenditures to ensure that the quality and accessibility of these services are not adversely affected.

Federal reform has lowered the yield from Ontario's personal income tax by \$510 million this fiscal year. In response, the Budget adjusts the personal income tax rate by one percentage point this year and another percentage point in 1989, and raises the surtax to 10 per cent for individuals with incomes in excess of \$85,000. In total, Ontario's taxpayers will benefit by \$238 million in reduced Provincial income tax this fiscal year.

Ontario will parallel most federal corporate tax reform base changes, and take further steps to align the federal and Provincial corporate tax systems.

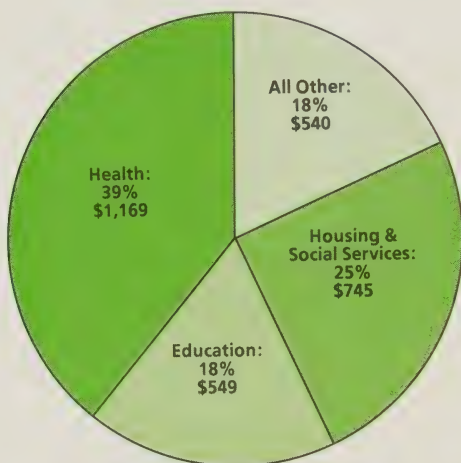
## Ontario's Expenditure and Revenue Needs

This year's spending will be \$37.9 billion. More than 80 per cent of the increase in spending in 1988-89 is dedicated to health care, education, housing and social services. The Budget includes spending controls and necessary revenue measures to maintain the Government's commitment to these priority programs in a fiscally responsible manner.

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### Distribution of New Spending, 1988-89 (\$ million and per cent share)

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### Spending Control

The Budget contains expenditure savings and constraints of \$500 million. The increase in planned spending is again below the rate of economic growth.

## Revenue Measures

In addition to spending controls, revenue measures are needed to maintain a steady and responsible fiscal course.

- The general retail sales tax rate will increase to 8 per cent, effective May 2, 1988. Sales tax credit benefits to low-income Ontarians will be more than doubled.
- The tobacco tax is increased by 1 cent per cigarette and by 0.6 cents per gram of cut tobacco, effective April 21, 1988.
- Levies are increased on spirits, wine and beer, effective May 24, 1988.
- The criteria for the low, flat capital tax rates will be expanded, including the elimination of tax for firms with gross revenue and assets both under \$1 million.

## The 1988-89 Fiscal Plan

The fiscal plan projects net cash requirements for 1988-89 at \$473 million, a reduction of \$720 million from last year, and the lowest level in 19 years.

## Conclusion

*This Budget invests in the public and private sectors to keep Ontario dynamic, compassionate and competitive. It responds to legitimate community needs. It responds to federal tax reform by ensuring fair and equitable treatment. The Budget sets a clear plan for this year and a challenging direction for the future.*

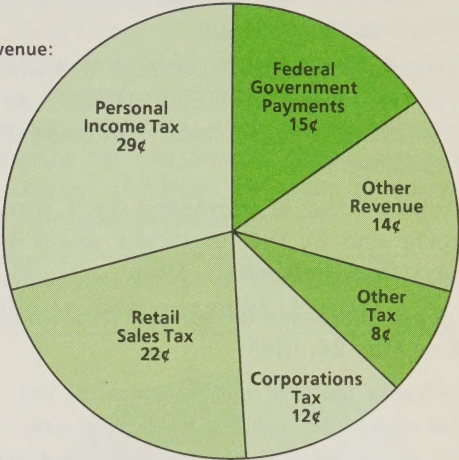


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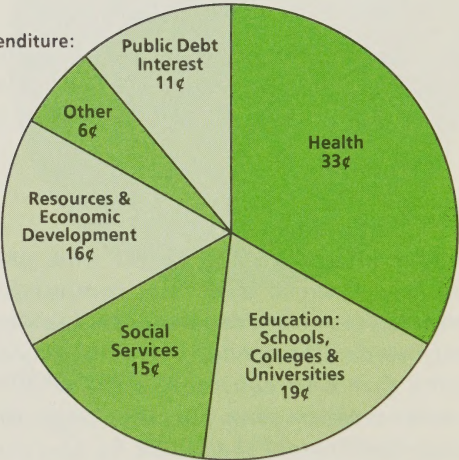
# The Budgetary Dollar: 1988-89

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Revenue:



Expenditure:







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